Grossman's board under fire

(Continued from page 1)

since June of 1989, when it offered $10.25 per share for the firm.

Stanley Berman, Grossman's executive vp-administration, confirmed that HSIC's filing was the first time the investor group's bids have been made public.

Berman and other Grossman's officials also insist that the naming of former Dunkin' Donuts president Tom Schwarz as the successor to Grossman as chairman had nothing to do with HSIC's actions (*see other story*).

Board said to fail investors

On the day its latest bid was rejected, HSIC, which controls 4.7 percent of the company's 21.1 million outstanding shares of common stock, made a 14-B filing with the Securities and Exchange Commission, in which it petitions shareholders to consent to have Grossman's board replaced by Shidler, Holman and as-yet-unidentified nominees of their choosing.

"We're taking this action because we feel that Grossman's present board has not acted in the holders' best interests in rejecting various proposals we've made in the course of the past year," said Ian Killip, a spokesman for the investors. "And because we believe we can maximize the value of the company for all concerned."

Calls to several board members were not returned.

Plea to shareholders

In a prepared statement, Mike Grossman asked shareholders to hold off making any decision until the board made its recommendation for action "as soon as practicable." The statement added that only shareholders who owned stock before May 30 were eligible to vote their consent.

Relying on shareholders to see things its way is a gamble for Grossman's. Only 37.8 percent of the company is held by institutions, according to Vickers Stock Research Corp. Initial comments by stockholders were noncommittal.

"We are going to wait until we hear all of Grossman's side of the story before we make any decisions," says Bill Dalton, a trader for Mutual Series Funds, a New Jersey investor group that holds some 1.2 million of Grossman's shares in various mutual funds.

The only other shareholder with more than 1 million shares is BankAmerica, whose holdings were repayment of debt from Evans' bankruptcy. Officials from the lender couldn't be reached.

Helped save Hawaii dealer

Shareholders probably want to get a better reading of Grossman's challengers, two reclusive partners with extensive real estate holdings. Some of their activity has been to purchase assets of financially troubled companies, lease back facilities and nurture them into the black.

Both Shidler, 46, and Holman, 45, have together and separately been able to turn around a handful of transportation and retail businesses, including Monarch Building Supply, the Kahalui, Hawaii-based dealer.

Monarch's former owner Jim Rodden says Holman was instrumental in converting his company from a small building supply dealer with $9 million in sales and a mountain of debt in 1986 into a solvent organization with $50 million in sales last year.

"It was Rob who brought in Watkins-Pacific [the Brisbane, Australia-based group that bought Monarch] and engineered the acquisition of our 9½-acre flagship outlet in Maui," said Rodden, who now dabbles in real estate but is a full-time football coach at Punahoe High School.

Rodden added that Holman did not interfere with Monarch's daily operations, but concentrated on searching for growth opportunities. "I couldn't have gotten to where I am now without his help."

Grossman's financials solid

Holman and Shidler joined forces in 1988 and began to evaluate Grossman's as a possible investment. Killip declined to say why Grossman's was singled out as a target.

However, the group appears to be stepping out of its *modus operandi* by going after Grossman's, which has a strong balance sheet and has recovered steadily from its Chapter 11 travail.

Net income jumped 19.2 percent to $15.8 million last year. The company reduced its post-bankruptcy debt to $92 million at the start of 1990 from $226 million in 1986. That shrinkage was abetted by the selloff of Grossman's Moore's and Northwest divisions, which brought in $106 million.

The company has also spent over to $85 million remodeling older stores and opening newer ones, and capital expenditures will exceed $30 million in 1990. Those stores are also now carrying up to 50 percent more merchandise than three years ago.

Consequently, some company watchers can't see how the removal of Grossman's board or its ultimate takeover would be beneficial.

"The $10.25 a share deal would have been good for [the company]," states Bonnie Billings, an analyst for the Boston-based Tucker Anthony brokerage. "But a sale leaseback of those properties, 80 of which Grossman's owns free and clear, for just $85 million seems like a bad deal."

She believes the company, as a defense, might consider buying back all its common stock, and states it has the creditworthiness to accomplish this. Grossman's stock was selling for 5¾ per share on June 5, and taking into account any future rise in that price, such a buyback would cost the company between $108 million and $170 million, by Billings' estimation. ◆

National Home Center News (ISSN 0192-6772) is published 23 times a year, twice a month, monthly in December, beginning with the second Monday in January; by Lebhar-Friedman Inc., 425 Park Ave., New York, NY 10022. Subscriptions are available at no charge to qualified retailers and wholesalers of lumber and building supplies and hardware. Paid subscriptions are available to nonqualifying retailers and wholesalers, and to manufacturers and others at $69 per year in the U.S.; $79 per year to Canada; $219 per year to all other countries (air mail only). Group subscriptions available in the U.S. (1-4 copies, $69; 5-19 copies, $64; 20 or more copies, $59). Single rate copy is $3 except last two May issues (Annual Census Issues) $30 each, $50 for both.

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Vol. 16, No. 12 June 18, 1990

Ernst tests new product lines

(Continued from page 4)

The Westwood Village test store is promoting the new departments by running six four-page inserts over the next six months.

The recreation and leisure department, which was reinstated after a five-year hiatus, has a 120-foot run of fishing tackle, bait, camping equipment, boating supplies, and sleeping bags, of which Ernst sold 1,000 during the grand opening.

Ernst also experimented with various paper products and detergents, and promoted them on the cover of its circular to measure their impact on traffic flow before any final introduction.

The store has a 240-foot run of paper plates, trash bags, detergents and household cleaners and 1,000 skus of office supplies displayed in a 60-foot run opposite shelving.

Ironically these new departments are part of a new store layout that emphasizes product dominance in plumbing, hardware, lighting, and lawn and garden.

For instance, the store has consolidated all irrigation lines into one area and combined two separate 60-foot runs of bagged fertilizers into a 120-foot run.

The store offers a "customer friendly, product friendly" environment, according to Monty Reese, senior vp-marketing and advertising.

The Westwood unit has wider, four-foot side aisles, and varies its gondola heights to create departments within departments. It also uses new slanted bins to facilitate self-service. The plumbing department places the 25 top selling items in the most accessible spot.

To combat customer perceptions that its stores are high priced, Ernst introduced a "Verified Low Price Leader Program," just one part of its on-going promotion called "Always the Right Price."

The Seattle-based Market Trends bought selected items at Ernst stores and its competitors on a monthly basis. These are chosen from a list of 150 items which change with the season and the region. The results are promoted on hand-printed signs in the stores and on radio and TV ads. ◆

Simon Stores remodels unit

(Continued from page 3)

shaped vanity on a recent day. She said she had been to Yardbirds and was en route to Sears to compare prices.

She never made it.

Simon's plumbing department sales manager Pete Hancock stepped in, found the vanity in stock and completed the sale.

Besides remodeling this 40,000-square-foot unit recently, Simon will begin renovating its 50,000-square-foot flagship store in Walnut Creek in January. In early May, its mammoth, 90th Anniversary Sale broke sales records in all three stores.

"We want to offer the customer more choices and a complete line of products for whole house remodeling," said Simon.

The five main project departments around the store's perimeter all have more merchandise. For example, the lighting department added Dynasty products. The kitchens, at the immediate right of the front entrance, now have appliances from Modern Maid, Creda and Braun. While the millwork department now sports Andersen windows and patio doors.

The tub vignettes were cross merchandised with Laufen ceramic tile from Brazil, which was added in January.

"The way the store is laid out, I can walk and sell the whole bathroom one step at a time," said Hancock.

Traditional categories haven't been neglected in the change. A new central "Square One" area groups together key departments such as hardware, electricals and paint, with increased offering of tools including Black & Decker's professional line and the addition of Rain Bird sprinkler systems. ◆

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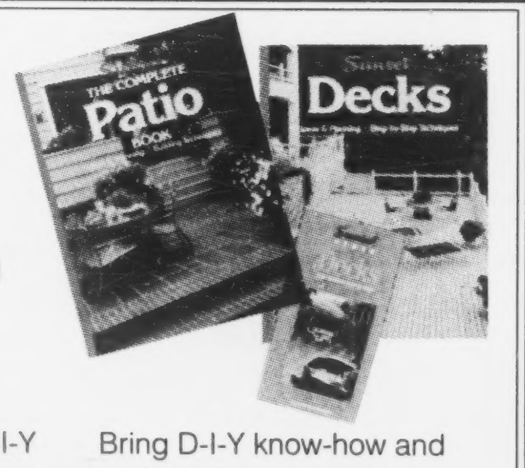

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Lawn chemical makers fume over Senate debate

By Tom Neven

NATIONAL REPORT — The excesses of a few professional lawn care companies might have a negative effect on the over-the-counter chemicals retailers can stock on their shelves.

As a result of hearings conducted last March, Sen. Harry Reid (D-Nev.), chairman of the Senate's Toxic Substances subcommittee, is considering legislation to regulate use of lawn chemicals and to change labeling requirements, both for professional and consumer products.

Pro services blamed

Several manufacturers of consumer lawn chemicals are protesting, however, saying they are being unfairly lumped in with a different industry, and they are fighting back.

The vast majority of testimony given at the hearings involved either hypersensitivity to lawn chemicals or cases where the chemicals were misused. In one instance, a 30-

(Continued on page 54)

Retailers may be curtailed in selling garden chemicals due to possible Senate legislation. NHCN photo

Wickes sells 32 Southeast units

New York retailer to head up new chain

By Gary Ruderman

VERNON HILLS, Ill. — Wickes Lumber, in order to cut its debt, is selling 32 of its 39 stores in the Southeast.

The chain will lose about $150 million to $160 million in sales and shrink to 151 stores, from 224 a year ago, following the July 31 closing of this deal, whose price and terms were not disclosed.

An investor group, led by New York financier Peter J. Solomon, signed the agreement to purchase these assets on June 26, according to Jeff Kuhr of Solomon's company.

Kenneth Miron, former president and coo of Miron Building Products in Kingston, N.Y., will run the new chain as president and ceo from its headquarters in Atlanta.

Miron resigned from his family's business in March and, according to sources, has sought to buy the Wickes stores for the last year. "I had heard that Wickes was looking to sell these stores through the grapevine," said Miron in a telephone interview. "This is the smallest biggest industry in the country."

William Hensler, Wickes chairman and ceo, said the sale of stores in Florida, Georgia, North and South Carolina and Virginia was part of the chain's "long term strategy," but other than debt reduction he would not elaborate.

Wickes Lumber was purchased by a management-led investment group from its parent Wickes Cos. in 1988. Hensler said the stores that are being sold accounted for $150 million of Wickes' $1 billion in sales last year. Total sales for the chain in 1990 would be under $1 billion, he said.

Had to cut stores

Sources said Wickes' agreement with banks involved in the buyout required the chain to trim down to 150 stores by this time. Hensler said this was untrue. The offer to buy came almost a year ago for the Southeast

(Continued on page 72)

Soviet timber invades U.S.

By Gary S. Ruderman

ANNANDALE, Va. — The first large shipment of logs from the Soviet Union is expected to hit American shores this fall.

According to a negotiator for a U.S. forest products company, an estimated 6.35 million board feet (15,000 cubic meters) of pine species could reach a U.S. port by November, if a price accord is reached in Moscow this month.

Dr. Charles Nasem, president of a Virginia-based consulting and marketing firm, left for Moscow July 10 to negotiate with the Soviet Ministry of Forestry and its forest products industry association, Exportles, on a purchase of three shiploads of debarked and bundled fir, larch, pine and spruce logs.

A decision was expected July 23. The logs are expected to land by November in either Anchorage, Alaska or Oakland, Calif.

Harlan Hummel, a consultant to Nasem's Radsec International Inc. here, said the logs could be processed into pulp, plywood or dimensional lumber. Hummel, formerly the executive director of the National Lumber and Building Material Dealers Association (NLBMDA) in Washington, said there are currently no grading standards for Soviet timber.

Neither Nasem nor Hummel would reveal the name of the U.S. forest products company involved in the deal.

L-P imports softwood

In May, Louisiana-Pacific brought in 2,000 board feet of larch and pine from the port of Vladivostok, believed to be the first shipment of Soviet timber to the U.S. L-P plans to test the softwood in terms of U.S. grading standards, according to L-P

(Continued on page 70)

Soviet, U.S. tool cos. to trade visits

SCARSDALE, N.Y. — Plans are underway for a trip by U.S. tool manufacturers to visit Soviet tool makers with an eye toward a joint venture.

Correspondence between New York attorney James Siegel and Minstankoprom NPO "Instrument," the Soviet tool making consortium, indicates the Soviets would like to visit U.S. tool makers this September with a reciprocal visit by U.S. firms in November. No dates have been set.

Siegel, whose Scarsdale, N.Y., firm represents companies such as American Tool and Hyde Tool, said the long-term plan would be the development of a joint-venture firm between a U.S. tool company and a Soviet partner. They would produce tools for the Soviet Union and Europe.

Siegel said his firm recently formed the first joint venture between Soviet aluminum makers and Kaiser Aluminum to make soda cans in the Soviet Union. ◆

Wholesale club exec named Channel's president—page 2

Great Plains Supply sets it sights on Robertson stores

By Tim O'Malley

GRAND FORKS, N.D. — The 37-unit Great Plains Supply is negotiating to acquire what may be North Dakota's oldest business.

Robertson Companies, the publicly held chain of 20 stores and $22 million in sales last year, was founded in 1898. But the company of recent vintage was put on the selling block because it is experiencing cash flow problems as a result of the 1988 drought, according to its president Hugh Robertson.

Its stores are in northeast North Dakota and northwest Minnesota.

Robert Wigley, chairman of the St. Paul, Minn.-based Great Plains, said in early July that the only thing holding up signing of the acquisition agreement is approval by Robertson's creditors.

"They're apparently not pleased with our offer," said Wigley, who declined to reveal the amount of the offer. Great Plains had $45.5 million in sales last year, which Wigley said was a "significant" increase over 1988.

Hugh Robertson did not return phone calls made by *NHCN* and the company's vp, Harlon Sexe, declined to comment on when the company expects to complete this transaction.

In a prepared statement released earlier this month, Hugh Robertson described the deal as a merger. However, Wigley said the Robertson stores would be renamed Great Plains. Current Robertson stockholders would have the option of investing in Great Plains, he explained, which is currently a private company but would go public after the acquisition was completed.

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The companies began negotiating this past February. Great Plains has yards in five Upper Midwest states, including North Dakota and Minnesota.

Good yards

"They've got some wonderful yards," said Wigley of Robertson's. "And we're bare in some of the areas where they're strong."

One of them is the Red River Valley on the Minnesota-North Dakota border. "We think the Red River Valley is Utopia," said Wigley. "They survive droughts there, and the area has more rich sugar beet farmers than anywhere in the world."

Drought, along with "industry trends, and high interest rates," were cited in the Robertson's release as the key reasons the company wants to sell.

Wigley and his son, Michael, president of the company, bought Great Plains from Harvest State last year. Unlike Robertson's, Wigley said, Great Plains' sales did not suffer drastically from the drought.

Great Plains' showrooms vary in size from several hundred feet to 20,000 square feet, and the company operates in towns that range in population from 900 to 120,000. According to information provided to *NHCN*, Robertson's stores average 3,000 square feet.

"We intend to purchase more yards," explained Wigley. "But the terms have to be favorable because we don't have a lot of capital." ◆

	Great Plains	Robertson
1989 Sales	$46 million	$22 million
Number of stores	37	20
Number of employees	290	130
Locations	Iowa, Minnesota, North Dakota, South Dakota	Minnesota North Dakota

NHCN chart

Channel names new ceo

By an NHCN staff editor

WHIPPANY, N.J. — Channel Home Centers has named as its new president an executive with extensive experience in discounting and in wholesale clubs.

Photo courtesy Makro U.S.A.

Joseph Nusim

Joseph Nusim, 54, had been the president and ceo of Makro U.S.A., the hypermarket/wholesale club hybrid bought by K mart in 1988. He was named this week to head up the 89-unit Channel, which over the past 2½ years has been cutting stores and personnel to reduce debt from a $250 million management-led buyout in 1986.

Malcolm Sherman, 59, the former chairman of Zayre Stores who joined Channel as its ceo last Sept. 18, remains with the chain as its chairman, replacing Leon Berger, who resigned after 18 years with the company and had led the investor group that took Channel private.

Nusim, who left Makro earlier this summer, comes to Channel after attempting, unsuccessfully, to raise $25 million to start his own wholesale club that was to be called Metro and have three stores, all within 50 miles of New York City, by 1991 and 21 stores in four years. ◆

Weyerhaeuser sells off two more nursery products wholesalers

By an NHCN staff editor

TACOMA, Wash. — Weyerhaeuser is well on the way to divesting its nursery products group after selling off two more wholesalers.

Weyerhaeuser has sold its Hines Nursery wholesaler to a Canadian investment group, Macluan Capital, for an undisclosed amount. The new company will operate under the name Hines Nurseries, Inc.

It operates one nursery each in Santa Ana and Vacaville, Calif., and one in Houston, where it grows containerized ornamental plants and shrubs.

"We liked the people and we liked the industry," said David Rowntree, executive vice president with Macluan. "It's a growth industry; people like green things."

Weyerhaeuser Garden Supply was also sold on June 29 to Central Garden Supply, Lafayette, Calif., for an undisclosed price, according to Neil Hines, chief financial officer for Weyerhaeuser's Nursery Group. Hines (no relation to Hines Nurseries) will be joining the new company, which has yet to choose a new name, as its cfo.

> The sales of these two wholesalers, Hines Nursery and Weyerhaeuser Garden Supply, are part of Weyerhaeuser's 'strategic refocusing.'

The company is a wholesaler of lawn and garden products, hardlines, pet supplies and pool products with 15 distribution centers.

All employees and management will be retained at both companies.

The sale of the wholesalers is part of Weyerhaeuser's "strategic refocusing," according to Hines. All that remains of the Nursery Products Group are Shemin Nurseries in Greenwich, Conn., and White Nurseries in Cairo, Ga.

Hines said that while White Nurseries is still for sale, Shemin has been taken off the block.

"We just thought the market wasn't right at the moment," Hines said. "The chemistry wasn't right and there were no good buyers."

He added, however, that Shemin could be put back in play if conditions are right. ◆

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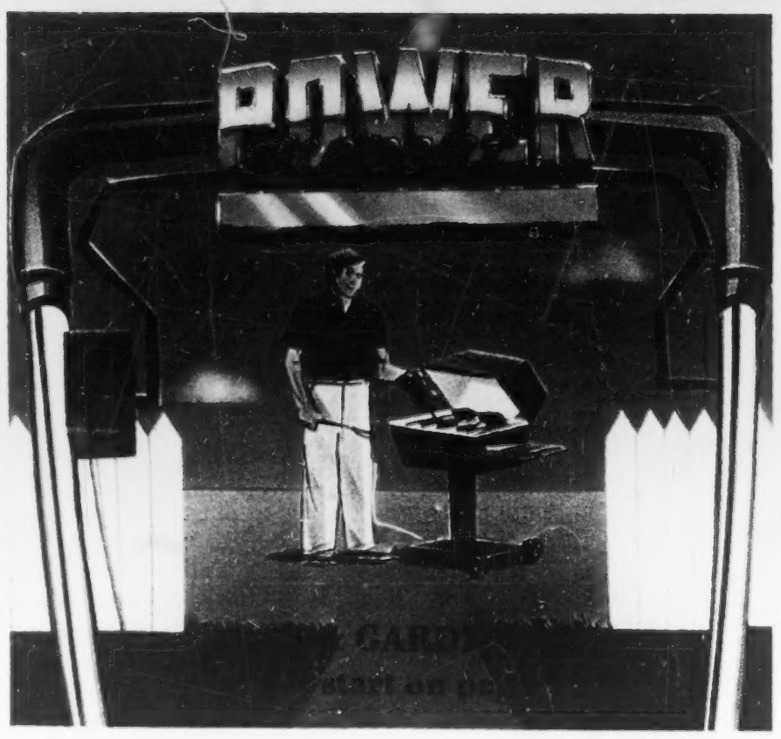

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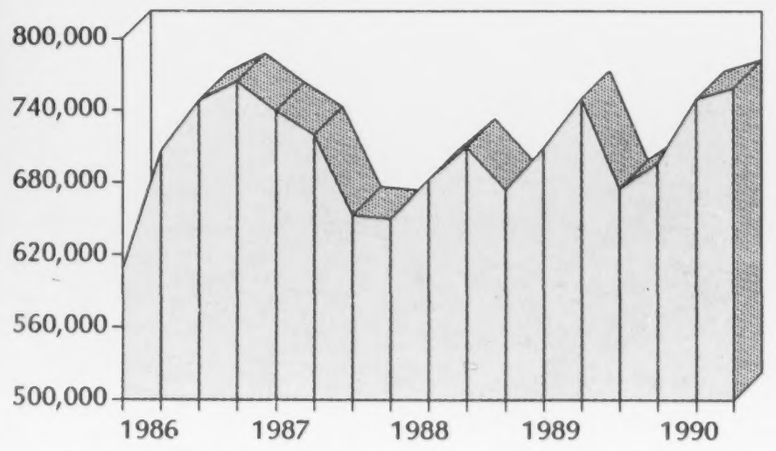

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Lawn and garden retail sales rebound in 1989

Sales edge up in hardware stores and home centers

By Tim O'Malley

NATIONAL REPORT — One of the encouraging things about the lawn and garden category, from a sales point of view, is that a depressed season often gives way to a healthy season.

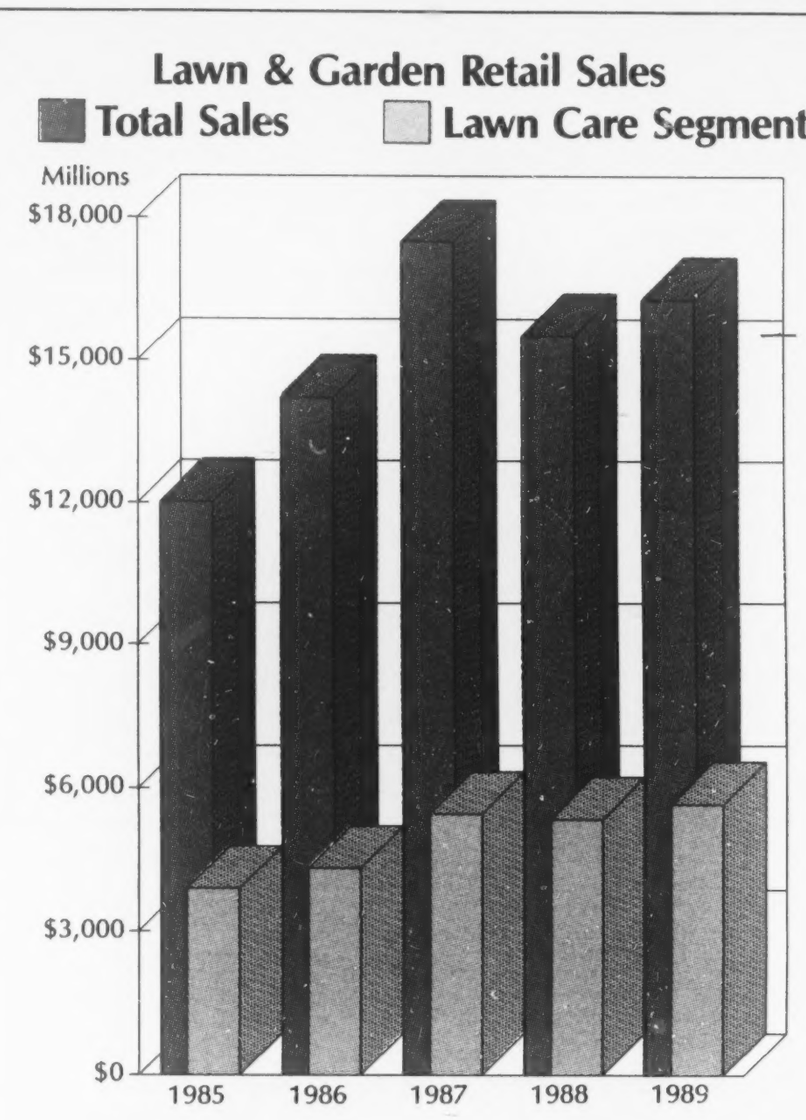
That sort of happened in 1989. Pent up demand from the previous year's droughts in the West and Midwest caused sales to recover by at least 20 percent in those regions last year, according to figures recently released by the Burlington, Vt.-based National Gardening Association. Both areas had suffered double-digit sales declines in 1988.

Fueled by strong regional recoveries, overall retail lawn and garden sales grew by five percent to $16.3 billion in 1989, according to NGA's annual *National Gardening Survey*. In light of an 11 percent drop in 1988—the first in a decade—this was greeted optimistically by NGA's research director Bruce Butterfield.

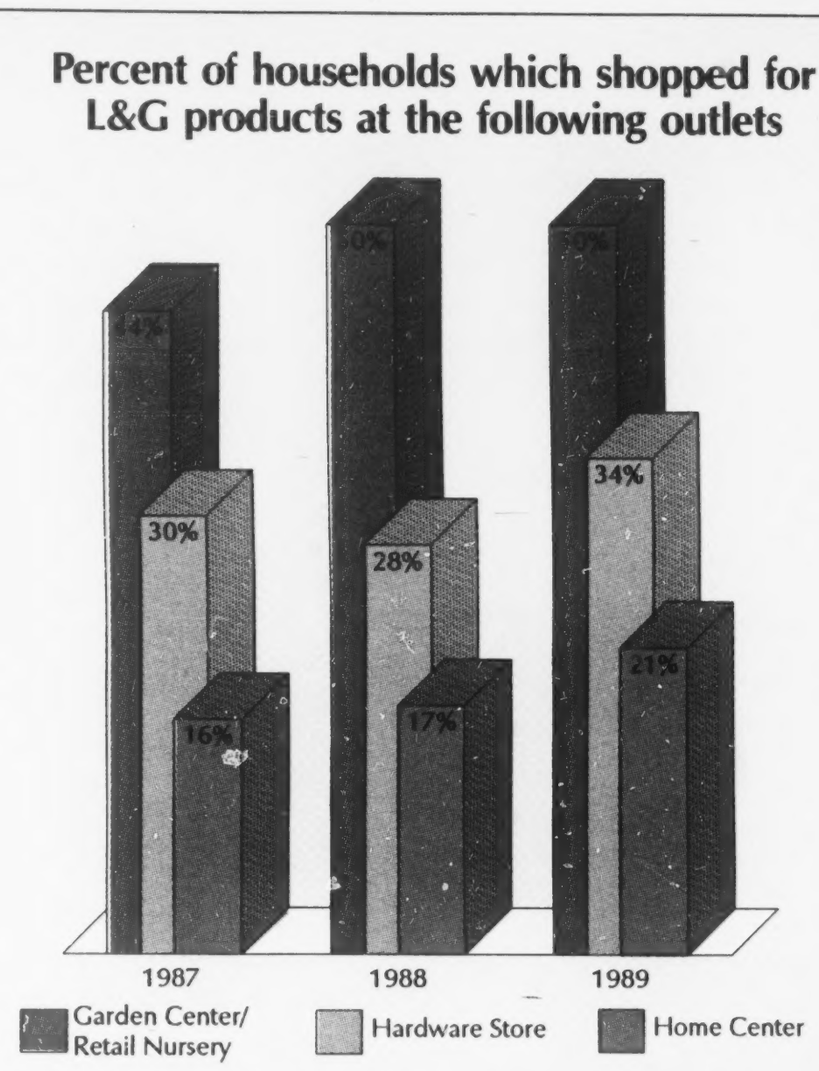
"Last year was clearly a rebound," he said. "If not for the poor figures in the South, things would have looked even better."

NGA's survey—conducted by the Gallup Organization, which polled 2,000 consumers in all 50 states during November and December of last year—also revealed that non-specialty stores are becoming more frequent sources for lawn and garden products.

As in 1988, garden centers and nurseries were still shopped by 50 percent of the total 70 million households that participated in lawn and garden activity last year. However, the number of households visiting home centers last year for this merchandise expanded to 15 million from 12 million in 1988. Hardware stores saw even more dramatic gains: 24 million households shopped them for lawn and garden, compared to 19 million in 1988, the most significant jump ever, said Butterfield.

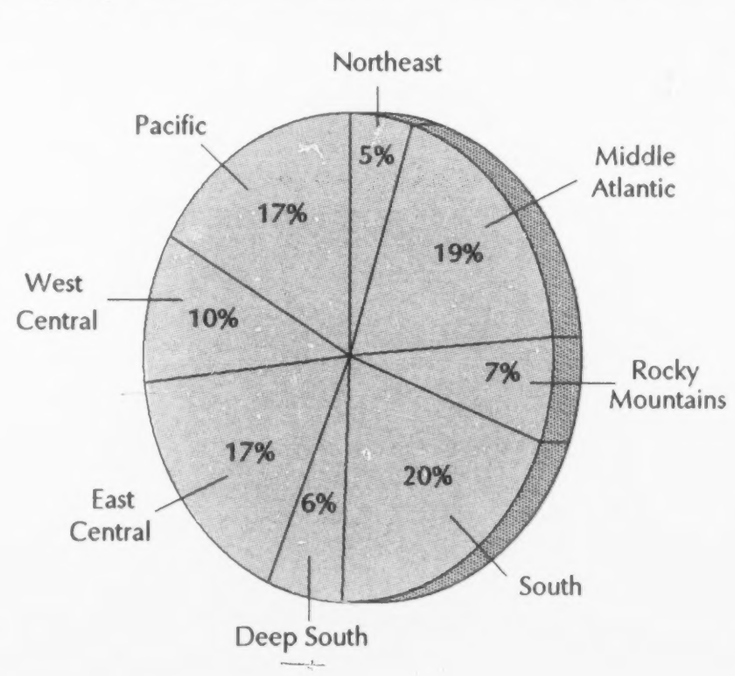


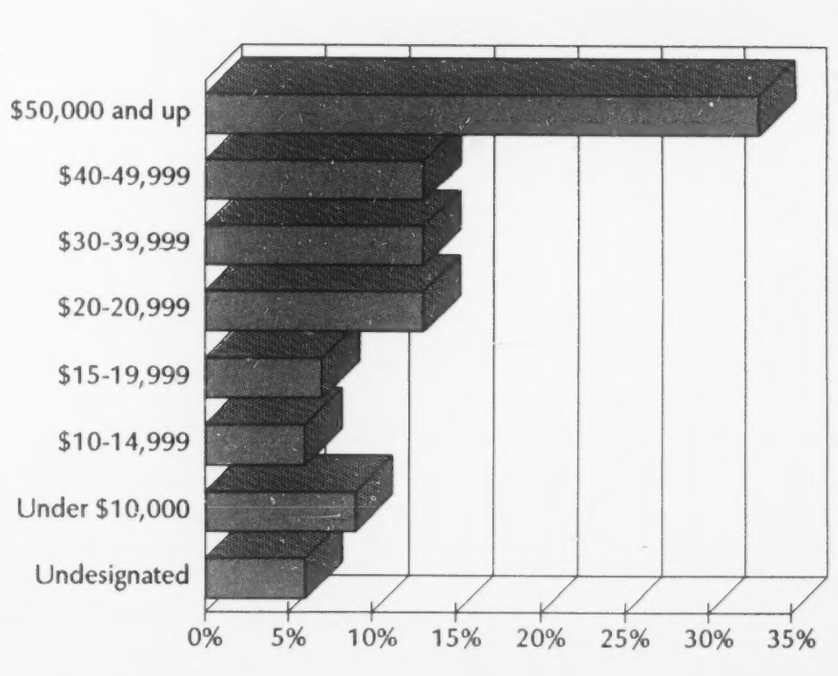
Geographic breakdown of 1989 L&G sales



Some respondents shopped at more than one type of outlet

Income Breakdown of 1989 L&G sales





Source: National Gardening Association

NHCN Charts

Regional disparities

However, NGA statistics also show that sales in the East rebounded by only five percent from when volume was down 15 percent there in 1988. And in the South, 1989 revenues plunged 18 percent after being off only two percent a year earlier.

Weather, of course, played a big part in these vast differences. Just as drought plagued the Midwest in 1988, an exceptionally wet spring and summer is blamed for the South's troubles last year. And some believe California's battle with drought over the last few years signals a permanent change in that state's weather pattern.

The East, said Butterfield, "is hard to figure. We expected much better from them."

In 1990, lawn and garden products saw early demand in the South, a key market, after a rare January chill killed many plantings. This spring, the region was socked by other natural disasters, including flooding and tornadoes, as were portions of the Midwest. The expectation: some volume will be made up this summer, but year-end sales tallies will surely reflect the disasters.

More competition

Mother Nature, however, can't take full blame. Demand has also been curbed somewhat by a softening new home construction market nationally, and to a lesser degree by fewer discretionary spending dollars for such big-ticket items as lawn mowers and other power equipment.

What this translates into is sparse growth at best for a category whose products—live goods, landscaping items and lawn care goods—expanded in sales by 37 percent between 1983 and 1989.

Butterfield noted as well that consumer sophistication and growing competition in the category will also impact future sales for all retailers. It appears that while consumers aren't abandoning garden specialty shops altogether, they are exploring other outlets.

"The spending is cutting more across the board," said Butterfield. "Price and quality are being examined more carefully."

While the survey shows no significant growth for any particular product, demand for two segments within the category—indoor house plants and shrub care—fell significantly enough to merit mention in the report.

The most lawn and garden products purchased last year were by college-educated Midwesterners. They were between the ages of 30 and 49, married with children, living in the suburbs and had household incomes of better than $50,000. The average American household spent $245 on their lawns and gardens last year, up from $227 in 1988.

The fact that lawn and garden sales appear to be increasingly more at the mercy of weather should not scare retailers away from the category, said Butterfield, noting that there are opportunities regardless of the elements.

For one, he said, retailers may extend the shelf life of bedding plants by transferring them to larger containers. This could preserve an inventory several weeks, hopefully until inclement weather subsides.

And in rainy conditions, retailers should push fertilizers and fungicides on the premise that the wet conditions have washed away nutrients from the soil.

"You've got to hit people where their needs are," he said. ◆